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OPEN MEETING ITEM



JODI JERICH
Executive Director

SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2014 OCT 20 PM 1 08

DATE: OCTOBER 20, 2014

DOCKET NO.: W-02271A-14-0265

ORIGINAL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Dwight D. Nodes. The recommendation has been filed in the form of an Opinion and Order on:

GREEN ACRES WATER COMPANY
(EMERGENCY RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 29, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

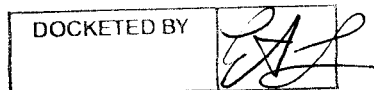
NOVEMBER 5, 2014 AND NOVEMBER 6, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

OCT 20 2014



Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 GREEN ACRES WATER COMPANY FOR
10 APPROVAL OF AN EMERGENCY RATE
11 INCREASE.

DOCKET NO. W-02271A-14-0265

DECISION NO. _____

12 **OPINION AND ORDER**

13 DATE OF HEARING: September 15, 2014

14 PLACE OF HEARING: Phoenix, Arizona

15 ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes

16 APPEARANCES: Ms. Nancy Miller, Interim Manager, on behalf of Green
17 Acres Water Company; and

18 Mr. Charles Hains, Staff Attorney, Legal Division, on
19 behalf of the Utilities Division of the Arizona
20 Corporation Commission

21 **BY THE COMMISSION:**

22 On July 11, 2014, Green Acres Water Company ("Green Acres" or "Company") filed with the
23 Arizona Corporation Commission ("Commission") an application for an emergency rate increase for
24 its customers in the Company's service area in a portion of Yuma County, Arizona.

25 On July 23, 2014, a Procedural Order was issued scheduling a procedural conference in this
26 matter for July 29, 2014.

27 On July 29, 2014, the procedural conference was held as scheduled. Green Acres was
28 represented via telephone by its interim manager, Nancy Miller, and the Commission's Utilities
Division ("Staff") appeared through counsel. At the procedural conference, the parties discussed the
timing for filing of a Staff Report, and a response thereto, as well as a date for scheduling a hearing.
The parties agreed that the Staff Report would be issued by August 29, 2014, a Company response
would be due by September 10, 2014, and a hearing would be conducted on September 15, 2014.

1 July 30, 2014, a Procedural Order was issued scheduling the hearing, directing Green Acres to
2 provide notice to customers, and establishing other procedural deadlines.

3 On August 4, 2014, Green Acres filed a letter stating that it had mailed the required notice of
4 the emergency rate hearing to its customers on July 31, 2014. No requests for intervention were
5 received in response to the customer notice.

6 On August 29, 2014, Staff filed a Staff Report, recommending approval of an emergency rate
7 increase and a repair surcharge. No response to the Staff Report was filed by the Company.

8 The hearing convened as scheduled on September 15, 2014, at the Commission's offices in
9 Phoenix, Arizona, before a duly authorized Administrative Law Judge. Green Acres was represented
10 telephonically by its interim manager, and Staff was represented by counsel.

11 On September 18, 2014, Staff filed a letter that it sent on July 10, 2014 to Mr. Melvin
12 Swensen who, according to Staff's letter, is the last owner of the Company reflected in the
13 Commission's records.

14 * * * * *

15 Having considered the entire record herein and being fully advised in the premises, the
16 Commission finds, concludes, and orders that:

17 FINDINGS OF FACT

18 1. Green Acres is an Arizona Class E utility that provides potable water service to
19 approximately 52 customers in a portion of Yuma County, adjacent to the City of Yuma, Arizona.
20 The Company was granted a Certificate of Convenience and Necessity ("CC&N") in Decision No.
21 46192 (June 23, 1975),¹ and the current authorized rates are the same as those established at the time
22 the initial CC&N was granted.²

23 2. The Company is currently operating under the management of Nancy Miller, who was
24 appointed as the interim operator of Green Acres pursuant to Decision No. 74234 (December 31,
25

26 ¹ The Company's CC&N was revoked by Decision No. 72239 (December 13, 2010) for failure to file numerous annual reports. (See, Decision No. 74234, at 1.)

27 ² Current authorized rates are \$6.50 per month for 5/8-inch x 3/4-inch meter customers, with 2,000 gallons per month included in the monthly minimum charge. Usage over 2,000 gallons is authorized to be billed at \$1.00 per thousand gallons; however, the Staff Report indicates that the Company has been charging an unauthorized minimum charge of \$15.00 per month. (Ex. S-1, at 2.)
28

1 2013). Ms. Miller is associated with Sunstate Environmental Utilities. (*See*, September 18, 2014,
2 Staff Notice of Filing.)

3 3. As described in Decision No. 74234, the appointment of an interim operator was
4 necessitated by threatened discontinuation of service by the former operator of the Company, Todd
5 Brandenberger, who Staff described as “the apparent owner of Green Acres.” (Decision No. 74234, at
6 2.) In that Decision, Staff indicated that Mr. Brandenberger had made assertions that “either he does
7 not own Green Acres, or that Green Acres does not exist.” (*Id.* at fn. 1.) The Decision also indicated
8 that Staff had not examined the ownership claims, but had confirmed that “Green Acres remains a
9 Public Service Corporation, that it is currently providing water utility service to ratepayers, that
10 Green Acres is still collecting rates for the provision of water utility service and that there is no
11 Commission order permitting the discontinuation of water utility service.” (*Id.*)

12 4. Staff stated that the Company’s system consists of a single well (“West Well”), a
13 5,000 gallon hydro-pneumatic tank, and a distribution system serving approximately 52 connections.
14 (*Id.*, Staff Eng. Rep. at 1.) Staff noted that a 10,000 gallon water storage tank has been disconnected
15 from the system; that there is no water treatment or disinfection provided for the water; and that there
16 is no well meter. (*Id.*)

17 5. Staff stated that the Company’s water system is inadequate to meet the needs of its
18 current customers. (Ex. S-1, at 2.) The Company’s rate application indicated that: it receives calls
19 from customers due to inadequate water pressure; that the system may not be able to sustain water
20 pressure needed for fire protection; the system is a dead-end system, rather than a loop system; and
21 there are no backflow devices. (*Id.*) Staff added that “the water system is in general disrepair.” (*Id.*)
22 The Company’s application also stated that its water quality does not currently meet applicable water
23 quality standards, and that an arsenic filtration system needs to be installed.

24 6. The application indicated that the current rates do not provide sufficient revenue to
25 pay its operating expenses or to correct the inadequate infrastructure and water quality problems. (*Id.*)
26 Green Acres is not current on paying its sales and property tax obligations. (*Id.* at 3.)

27 7. Staff’s Engineering Report indicates that there is another well site, known as the East
28 Well facilities, that consists of two wells and two pressure tanks. (*Id.*, Staff Eng. Rep. at 2.)

1 However, according to Staff, ownership of the East Well site is not clear because Mr. Brandenberger
2 claimed that the East Well site is his private property and does not belong to the Company. Staff
3 states that the East Well facilities were connected to the Green Acres system as of December 12,
4 2012, according to an Arizona Department of Environmental Quality ("ADEQ") inspection, but were
5 disconnected from the system sometime in 2013. The East Well facilities were apparently installed
6 without ADEQ approval. (*Id.*)

7 8. Staff stated that since there is no well meter, the actual well production is unknown
8 and the system's capacity cannot be determined. (*Id.*) According to the last official records (2007
9 Annual Report), the West Well had a capacity of 150 gallons per minute ("gpm") which Staff
10 indicated would be adequate to serve the current customer base and a reasonable level of growth.
11 However, according to Staff, the system lacks sufficient storage to serve the current customer base,
12 and a minimum 75,000 gallons of storage is required for the system to meet seasonal peak demand.
13 (*Id.*)

14 9. An ADEQ Compliance Status Report, dated March 25, 2014, reported the following
15 deficiencies with the Green Acres system: exceedance of the maximum contaminant level ("MCL")
16 for arsenic; lack of lead and copper levels reporting; lack of consumer confidence reporting; and
17 operation and maintenance deficiencies. (*Id.*) Based on these deficiencies, ADEQ cannot determine
18 if the water system is currently delivering water that meets water quality standards required under 40
19 CFR 141 or Arizona Administrative Code ("A.A.C.") Title 18, Chapter 4. (*Id.*) Staff stated that
20 Green Acres is required to participate in the ADEQ Monitoring Assistance Program ("MAP"), the
21 annual cost of which Staff estimated to be \$1,588. (*Id.* at 3.)

22 10. Green Acres is not located in an Active Management Area ("AMA"). The Arizona
23 Department of Water Resources ("ADWR") determined, in a report dated July 24, 2014, that the
24 Company's system is not in compliance with respect to Annual Report and System Water Plan
25 filings. (*Id.*)

26 11. Staff states that Green Acres' interim manager filed the emergency rate application
27 claiming that the Company's "cash flow is insufficient to maintain operations, to make needed plant
28 repairs, and to meet water quality standards." (*Id.* at 1.) According to Staff's Engineering Report,

1 ADEQ retained KUV Consultants, LLC ("KUV") to evaluate the Green Acres system, and KUV
2 estimated the costs to make high priority repairs to be between \$122,000 and \$132,000. (*Id.* at 3-4.)
3 The priority repairs identified by KUV are for: upgrades to the West Well; to repair or replace the
4 pressure tank at the west Well site; the construction of a water storage tank at the west Well site; and
5 to upgrade the electrical system at the west Well site. (*Id.* at 4.)

6 12. Citing to Attorney General Opinion No. 71-17, Staff states that interim or emergency
7 rates are appropriate when any or all of the following conditions exist: a sudden change that causes
8 hardship to a company; a company is insolvent; or a company's ability to maintain service (pending a
9 formal rate determination) is in serious doubt. (Ex. S-1, at 2.) According to Staff, these criteria have
10 been affirmed in *Scates v. Arizona Corporation Commission*, 118 Ariz. 531 (App. 1978) and
11 *Residential Utility Consumer Office v. Arizona Corporation Commission*, 199 Ariz. 588 (2001). (*Id.*)

12 13. Based on its analysis, Staff concluded that the Company's condition satisfies the third
13 criterion cited above because Green Acres "is not currently providing adequate service, and there is
14 no reasonable expectation that it could begin to provides adequate service at existing rates." (*Id.* at 3.)
15 Staff indicated that approval of emergency rates may prevent further deterioration of the water
16 system. Staff noted that the Company's inability to provide adequate service is hampered by the lack
17 of cooperation from the owners, and Staff is currently investigating whether there is a need to file a
18 formal complaint or an Order to Show Cause against the Company's owners. (*Id.*)

19 14. Although the emergency application contained no financial information for use in
20 setting emergency rates, Staff worked with the interim manager to annualize operating costs and
21 utilized the Company's 2007 Annual Report to develop an income statement. Staff also developed a
22 Repair Surcharge to fund only the high priority plant repairs set forth in the Staff Engineering Report,
23 and described above. (*Id.*) Based on its review, Staff recommends emergency rates that would
24 produce total operating revenue of \$40,771 and operating income of \$10,454. (*Id.*, Sched. CSB-4.)

25 15. Staff's recommended emergency rates would consist of a \$17.50 monthly minimum
26 charge, and an inverted block commodity rate structure with the first 3,000 gallons billed at \$1.00 per
27 thousand gallons, and all additional usage charged at \$2.00 per thousand gallons. (*Id.* at 4.) Staff
28 stated that the emergency rates are designed to recover the Company's operating expenses. (*Id.*) Staff

1 also agreed with the Company's request to add a \$20 service establishment charge, a \$75 deposit
2 charge, and a 10 percent late payment charge. (*Id.*) The full schedule of Staff's recommended
3 emergency rates is attached hereto as Exhibit 1.

4 16. Staff pointed out that because the interim operator is not the owner of the Company,
5 she cannot apply for a loan to make the needed system repairs. Therefore, Staff recommends
6 approval of a \$17.19 Repair Surcharge to be used to make needed system upgrades and repairs. (*Id.*)
7 Staff claims that the separate surcharge is necessary to ease tracking and reporting of how the repair
8 funds are used. (*Id.*) The Repair Surcharge was calculated based on the assumption of a \$132,000,
9 20-year amortizing loan, with a 5.0 percent interest rate. (*Id.*) The calculation of the Repair
10 Surcharge is attached hereto as Exhibit 2.

11 17. As shown in Staff's Typical Bill Analysis attached to the Staff Report, a 5/8-inch x 3/4-
12 inch meter customer with usage of 16,000 gallons currently pays \$20.50 per month. (*Id.*, Sched. CSB-
13 6.) Under Staff's interim rate recommendation, a customer with the same usage would pay \$46.50
14 per month, an increase of \$26.00 (or 126.8 percent) without the Repair Surcharge. Including the
15 Repair Surcharge, the customer's bill would be \$63.69 per month, an increase of \$43.19 (or 210.7
16 percent). (*Id.*) The Typical Bill Analysis is attached hereto as Exhibit 3.

17 18. Staff stated that Green Acres does not have an approved Cross-Connection/Backflow
18 Tariff or Curtailment Tariff. Therefore, Staff recommends that the Commission approve the tariffs
19 attached to the Staff Engineering Report for these items. (*Id.*) (Attached hereto as Exhibit 4.)

20 19. Set forth below is a summary of Staff's recommendations in this case:

- 21
- 22 • Approval of emergency rates which consists of a \$17.50 monthly minimum charge
- 23 that will no longer include the first 2,000 gallons of usage, and an inverted two-tier
- 24 commodity rate structure. The first tier of the commodity rate structure is \$1.00 per
- 25 thousand for the first 3,000 gallons. The second tier is \$2.00 per thousand for all
- 26 gallons over 3,000.
- 27 • Approval of the Staff recommended monthly \$17.19 Repair Surcharge.
- 28 • Upon approval of the Repair Surcharge, the Company shall open a separate
- interest-bearing account in which all surcharge monies collected from customers
- will be deposited.

- The only disbursement of funds from the Repair Surcharge account will be to purchase and/or install the high priority plant items listed in the Staff Engineering Report.
- The Company should file quarterly, beginning January 15, 2015, as a compliance item in this Docket, a report identifying all surcharge monies billed, collected, and withdrawn from the account along with copies of all invoices and other cost documentation supporting the amount withdrawn.
- The Company should record the Repair Surcharge revenue as Contributions In Aid of Construction ("CIAC") on Green Acres' general ledger.
- The Company's requested additions to its miscellaneous service charges should be approved.
- The Company be required to file a full permanent rate case no later than June 1, 2015, using a calendar year 2014 test year.
- The interim rates be subject to refund pending the Decision resulting from the permanent rate increase case required to be filed in this proceeding.
- The Company be required to post a bond, irrevocable sight draft letter of credit, or a cashier's check, with the Commission in the amount of \$10 prior to implementing the emergency rate increase authorized in this proceeding. A cashier's check is recommended because the Company may be unable to obtain a bond or sight draft letter of credit for small amounts.
- The Company be directed to file with Docket Control, within 30 days of the Decision, a revised rate schedule reflecting the emergency rate increase, as a compliance item in this Docket.
- The Commission approve the Cross-Connection/Backflow Tariff and Curtailment Plan Tariff attached to the Staff Engineering Report. (*Id.* at 4-5.)

20. At the hearing, Ms. Miller testified that she was in agreement with Staff's recommended rates and charges, as well as Staff's other miscellaneous recommendations. (Tr. 15-16.)

21. Based on our review of the record in this case, and subject to Staff's recommendations set forth above, we find that approval of the recommended interim rates is reasonable and in the public interest. As described herein, the Company's current rates produce cash flow that is insufficient to maintain its operations, to make needed plant repairs, and to meet water quality standards. The Company's system is in disrepair, it is currently unable to provide water that meets applicable quality standards, it is unable to pay its sales and property taxes, and its ability to continue providing service to customers, pending a formal rate determination, is in serious doubt. We find that emergency rate relief, including the recommended Repair Surcharge, is essential to enable Green

1 Acres to pay its operating expenses and to make critical system repairs. Staff's recommendations are
2 therefore adopted.

3 22. In addition, we find it is necessary to attempt to make a determination of the actual
4 ownership of the Company, as well as the ownership of assets that have been severed from the
5 Company's system. Therefore we will require Staff to bring a recommendation, within 60 days of
6 the effective date of this Decision, regarding how best to establish ownership of the Company and its
7 assets. Such actions may include, but are not limited to, filing of a Formal Complaint or Request for
8 an Order to Show Cause.

9 CONCLUSIONS OF LAW

10 1. Green Acres is a public service corporation within the meaning of Article XV of the
11 Arizona Constitution and A.R.S. § 250.

12 2. The Commission has jurisdiction over Green Acres and the subject matter of the
13 application.

14 3. Notice of the emergency rate application was given in accordance with the July 30,
15 2014 Procedural Order, the Commission's rules, and Arizona law.

16 4. The interim rates approved herein are reasonable and in the public interest subject to
17 the requirements identified in Staff's recommendations.

18 ORDER

19 IT IS THEREFORE ORDERED that Green Acres Water Company is hereby authorized and
20 directed to file with the Commission, on or before November 28, 2014, the schedule of rates and
21 charges, including the Repair Surcharge, attached hereto and incorporated herein as Exhibits 1 and 2,
22 which shall become effective for all service rendered on or after December 1, 2014.

23 IT IS FURTHER ORDERED that Green Acres Water Company shall notify its customers of
24 the revised interim schedule of rates and charges authorized herein by means of an insert in its next
25 regularly scheduled billing in a form and manner acceptable to the Commission's Utilities Division
26 Staff.

27 IT IS FURTHER ORDERED that Green Acres Water Company shall open a separate interest-
28 bearing account in which all surcharge monies collected from customers will be deposited. The only

1 disbursement of funds from the Repair Surcharge account will be to purchase and/or install the high
2 priority plant items listed in the Staff Engineering Report, and the Company shall record the Repair
3 Surcharge revenues as Contributions In Aid of Construction its general ledger.

4 IT IS FURTHER ORDERED that Green Acres Water Company shall file quarterly, beginning
5 January 15, 2015, as a compliance item in this Docket, a report identifying all Repair Surcharge
6 monies billed, collected, and withdrawn from the account along with copies of all invoices and other
7 cost documentation supporting the amount withdrawn.

8 IT IS FURTHER ORDERED that Green Acres Water Company shall file a full permanent
9 rate case no later than June 1, 2015, using a calendar year 2014 test year.

10 IT IS FURTHER ORDERED that the interim rates shall be subject to refund pending the
11 Decision resulting from the permanent rate increase case required to be filed in this proceeding.

12 IT IS FURTHER ORDERED that Green Acres Water Company shall post a bond or
13 irrevocable sight draft letter of credit in the amount of \$10 prior to the implementation of the interim
14 rates, in a form acceptable to Staff. The original Performance Bond or Letter of Credit shall be
15 submitted to the Commission's Business Office, with copies of the Bond or Letter filed with Docket
16 Control, as a compliance item in this docket, within 30 days of the effective date of this Decision.
17 The Commission may use the Performance Bond or Letter of Credit funds, as appropriate, to protect
18 the Company's customers and the public interest and take any and all actions the Commission deems
19 necessary, in its discretion.

20 IT IS FURTHER ORDERED that the Cross-Connection/Backflow Tariff and Curtailment
21 Plan Tariff, attached hereto as Exhibit 4, are approved and Green Acres Water Company shall file the
22 approved tariffs by no later than November 28, 2014.

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Staff shall file a recommendation, within 60 days of the
2 effective date of this Decision, regarding how best to establish ownership of the Company and its
3 assets. Such actions may include, but are not limited to, filing of a Formal Complaint or Request for
4 an Order to Show Cause.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
7
8

9 CHAIRMAN _____ COMMISSIONER _____

10
11 COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER _____
12

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this _____ day of _____ 2014.

18 JODI JERICH
19 EXECUTIVE DIRECTOR

20 DISSENT _____

21 DISSENT _____
22 DN:tv

23
24
25
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27
28

1 SERVICE LIST FOR: GREEN ACRES WATER COMPANY

2 DOCKET NO.: W-02271A-14-0265

3 Nancy Miller, Interim Manager
4 GREEN ACRES WATER COMPANY
4743 E. 30th Place
5 Yuma, AZ 85365

6 Janice Alward, Chief Counsel
Legal Division
7 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
8 Phoenix, AZ 85007

9 Steven M. Olea, Director
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EXHIBIT 1

Schedule CSB-5

Green Acres Water Company
Docket No. W-02271A-14-0265
Emergency Rate December 31, 2010

RATE DESIGN

	Present Rates	Staff Recommended Emergency Rates
Monthly Minimum Charge: 5/8" x 3/4" Meter	\$6.50	\$17.50
Gallons Included In Monthly Minimum Charge:	2,000	0
Per 1,000 for all gallons over the first 2,000	\$1.00	N/A
From 1 to 3,000 gallons	N/A	\$1.00
Over 3,000 gallons	N/A	\$2.00
Repair Surcharge	N/A	\$17.19

Service Line and Meter Installation Charges

	Present Rates			Staff Recommended		
	Services	Meters	Total	Services	Meters	Total
5/8" x 3/4" Meter	NT	NT	\$100	N/A	N/A	\$100
3/4" Meter	NT	NT	\$120	N/A	N/A	\$120
1" Meter	NT	NT	\$160	N/A	N/A	\$160
1 1/2" Meter	NT	NT	\$300	N/A	N/A	\$300
2" Meter	NT	NT	\$400	N/A	N/A	\$400

Service Charges

	Present Rates	Company Proposed	Staff Recommended
Establishment	NT	\$20.00	\$20.00
Establishment (After Hours)	NT	NT	NT
Reconnection (Delinquent)	5.00	5.00	5.00
After Hours Charge (Flat Rate)	NT	NT	NT
Meter Test	25.00	25.00	25.00
Deposit	*	75.00	75.00
Deposit Interest	*	*	*
Re-establishment (Within 12 Months)	25.00	25.00	25.00
Re-establishment (Within 12 Months After Hrs)	NT	NT	NT
NSF Check	NT	NT	NT
Deferred Payment - per month	NT	NT	NT
Meter Re-read	2.50	2.50	2.50
Late Payment Penalty	NT	10.00%	10.00%
Moving Customer Meter (Customer Request)	NT	NT	NT
After Hours Service Charge (Rule R14-2-403.D)	NT	NT	NT

NT= No Tariff

* Per Commission rule AAC R14-2-403.B

DECISION NO. _____

Green Acres Water Company
Docket No. W-02271A-14-0265
Emergency Rate Application

EXHIBIT 2

Schedule CSB-2

SYSTEM IMPROVEMENT SURCHARGE CALCULATION

Loan Amount: \$132,000
Term: 20 Years
Interest Rate Before Subsidy: 5.00%
Subsidy Rate: 100%
Interest rate: 5.000% If interest rate is not found on TABLE A, use the next highest percentage

Step 1 - Find the Annual Payment on Loan

\$132,000 Total Amount of Loan
0.0792 TABLE A, Conversion Factor Table, Column B
\$10,453.70 Annual Principle and Interest Payment

Step 2 - Find the Annual Interest Payment on Loan

\$132,000 Total Amount of Loan
0.0493 TABLE A, Conversion Factor Table, Column C
\$6,510.45 Annual Interest Payment on Debt

Step 3 - Find the Annual Principal Payment on Loan

\$132,000 Total Amount of Loan
0.0299 TABLE A, Conversion Factor Table, Column D
\$3,943.25 Annual Principal and Interest Payment

Step 4 - Find the Gross Revenue Conversion Factor

1.278123375

Step 5 - Find the Incremental Income Tax Factor

1.27812 minus 1 = 0.27812

Step 6 - Find the Annual Income Tax Component of Surcharge Revenue

0.27812 Incremental Income Tax Factor (from Step 5)
\$3,943.25 Multiplied by: Annual Principal Payment on Loan (from Step 3)
\$1,096.71 Annual Income Tax Component of the Annual Surcharge Revenue

Step 7 - Find the Debt Service Component of the Annual Surcharge Revenue

\$6,510.45 Annual Interest Payment on Debt (from Step 2)
\$3,943.25 Plus: Annual Principal Payment (from Step 3)
\$10,453.70 Debt Service Component of the Annual Surcharge Revenue

Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan

\$1,096.71 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
\$10,453.70 Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 7)
\$11,550.41 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Equivalent Bills				
Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C x D
5/8" x 3/4" Meter	1	56	12	672
3/4" Meter	1.5	0	12	-
1" Meter	2.5	0	12	-
1 1/2" Meter	5	0	12	-
2" Meter	8	0	12	-
3" Meter	15	0	12	-
4" Meter	25	0	12	-
6" Meter	50	0	12	-
		56		672

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers

\$11,550.41 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8)
672 Divided by: Total Number of Equivalent Bills
\$ 17.19 Monthly Surcharge for 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Equivalent Bills			
Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8" x 3/4" Meter	1	\$ 17.19	\$ 17.19
3/4" Meter	1.5	\$ 17.19	\$ 25.78
1" Meter	2.5	\$ 17.19	\$ 42.97
1 1/2" Meter	5	\$ 17.19	\$ 85.94
2" Meter	8	\$ 17.19	\$ 137.50
3" Meter	15	\$ 17.19	\$ 257.82
4" Meter	25	\$ 17.19	\$ 429.70
6" Meter	50	\$ 17.19	\$ 859.41

DECISION NO. _____

EXHIBIT 3

Green Acres Water Company
 Docket No. W-02271A-14-0265
 Emergency Rate Application

Schedule CSB-6

TYPICAL BILL ANALYSIS

General Service 5/8 X 3/4 - Inch Meter

Staff Recommended <u>Without Repair Surcharge</u>	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	16,000	\$20.50	\$46.50	\$26.00	126.8%

Staff Recommended <u>With Repair Surcharge</u>	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	16,000	\$20.50	\$63.69	\$43.19	210.7%

Present & Proposed Rates (Without Taxes)
 General Service 5/8 X 3/4 - Inch Meter

Gallons Consumption	Authorized Present Rates	Staff Recommended Emergency Rates and Repair Surcharge Rates	% Increase
0	\$6.50	\$34.69	433.7%
1,000	6.50	35.69	449.1%
2,000	6.50	36.69	464.5%
3,000	7.50	37.69	402.5%
4,000	8.50	39.69	366.9%
5,000	9.50	41.69	338.8%
6,000	10.50	43.69	316.1%
7,000	11.50	45.69	297.3%
8,000	12.50	47.69	281.5%
9,000	13.50	49.69	268.1%
10,000	14.50	51.69	256.5%
15,000	19.50	61.69	216.4%
20,000	24.50	71.69	192.6%
25,000	29.50	81.69	176.9%
50,000	54.50	131.69	141.6%
75,000	79.50	181.69	128.5%
100,000	104.50	231.69	121.7%
125,000	129.50	281.69	117.5%
150,000	154.50	331.69	114.7%
175,000	179.50	381.69	112.6%
200,000	204.50	431.69	111.1%

DECISION NO. _____

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: 1 of 4
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR: _____
(Template 102109)

ADEQ Public Water System No: _____

_____ ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

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DECISION NO. _____

TARIFF SCHEDULE

Utility: _____
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Tariff Sheet No.: 2 of 4
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Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, the Company shall post at least _____ signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. The Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

Revised October 21, 2009

DECISION NO. _____

TARIFF SCHEDULE

Utility: _____
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Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- The use of construction water is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least _____ signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

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DECISION NO. _____

TARIFF SCHEDULE

Utility: _____
Docket No.: _____
Phone No.: _____

Tariff Sheet No.: 4 of 4
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Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply with two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Revised October 21, 2009

DECISION NO. _____

CROSS-CONNECTION OR BACKFLOW TARIFF

PURPOSE:

The purpose of this tariff is to protect _____
_____ ("Company") water from the possibility of
contamination caused by the backflow of contaminants that may be present on the
customer's premises by requiring the installation and periodic testing of backflow-
prevention assemblies pursuant to the provisions of the Arizona Administrative Code
("A.A.C.") R14-2-405.B.6 and A.A.C. R18-4-215.

REQUIREMENTS:

In compliance with the Rules of the Arizona Corporation Commission
("Commission") and the Arizona Department of Environmental Quality ("ADEQ"),
specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow
prevention:

1. The Company may require a customer to pay for and to have installed a
backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.
2. A backflow-prevention assembly required to be installed by the customer
under Paragraph 1 of this tariff shall comply with the requirements set forth in
A.A.C. R18-4-215.D and E.
3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance
with Paragraphs 1 and 7 of this tariff, the Company may terminate service or
may deny service to a customer who fails to install a backflow-prevention
assembly as required by this tariff
4. The Company shall give any existing customer who is required to install a
backflow-prevention assembly written notice of said requirement. If A.A.C.
R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30)
days from the time such written notice is received in which to comply with
this notice. If the customer can show good cause as to why he cannot install
the backflow-prevention assembly within thirty (30) days, the Company or
Commission Staff may suspend this requirement for a reasonable period of
time.

****FOR OFFICIAL USE ONLY****

Effective Date: _____

DECISION NO. _____

Company Name: _____ Page 2 of 2

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-215.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.
6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
 - a. assembly identification number and description;
 - b. location
 - c. date(s) of test(s);
 - d. description of repairs and recommendations for repairs made by tester; and
 - e. the tester's name and certificate number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

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Effective Date: _____

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